Financial Statements of

SASKATCHEWAN VALLEY POTATO CORPORATION

Year ended December 31, 2003

KPMG

104-05031/

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AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Saskatchewan Valley Potato Corporation as at December 31, 2003 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
January 26, 2004

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SASKATCHEWAN VALLEY POTATO CORPORATION

Balance Sheet

As at December 31

ASSETS	2003	2002
Current:		
Cash	$ 72,561	$ 96,406
Accounts and notes receivable (Note 3)	1,203,385	554,467
Inventories (Note 4)	4,721	808,818
Prepaid expenses	43,384	33,260
	1,324,051	1,492,951
Mortgages receivable (Note 5)	450,000	-
Property, plant and equipment (Note 6)	79,500	1,131,111
	$ 1,853,551	$ 2,624,062
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current:		
Accounts payable and accrued liabilities	$ 55,609	$ 157,019
Advance from Investment Saskatchewan Inc. (Note 7)	1,166,641	2,541,641
	1,222,250	2,698,660
Shareholders' equity (deficit):		
Share capital (Note 8)	16,590,499	16,590,499
Deficit	(15,959,198)	(16,665,097)
	631,301	(74,598)
	$ 1,853,551	$ 2,624,062

(See accompanying notes)

On behalf of the Board:

_____ Director

_____ Director

SASKATCHEWAN VALLEY POTATO CORPORATION

Statement of Operations and Deficit

For the Year Ended December 31

	2003	2002
Sales	$ 1,510,192	$ 3,481,822
Cost of Sales	924,507	2,222,883
Gross margin	585,685	1,258,939
Operating expenses:		
Interest on long-term debt	-	282,971
Utilities	120,056	210,163
Administration	79,055	120,385
Professional fees	68,947	68,606
Salaries and benefits	154,503	194,609
Bad debt	62,715	133,962
Property taxes and insurance	36,255	69,116
Repairs and maintenance	32,615	53,284
Interest	860	1,850
	555,006	1,134,946
Earnings before the undernoted	30,679	123,993
Other income (expenses):		
Other income	98,830	138,609
Other expense	(47,000)	-
Gain on sale of property, plant and equipment	668,653	979,713
Amortization	(45,263)	(154,342)
	675,220	963,980
Net earnings	705,899	1,087,973
Deficit, beginning of year	(16,665,097)	(17,753,070)
Deficit, end of year	$ (15,959,198)	$ (16,665,097)

(See accompanying notes)

SASKATCHEWAN VALLEY POTATO CORPORATION

Statement of Cash Flows

For the Year Ended December 31

	2003	2002
Operating Activities		
Net earnings	$ 705,899	$ 1,087,973
Items not effecting cash from Operations:		
Amortization	45,263	154,342
Gain on sale of property, plant and equipment	(668,653)	(979,713)
Change in non-cash operating working capital		
Accounts receivable	51,082	(115,166)
Inventories	804,098	1,350,502
Prepaid expenses	(10,124)	16,456
Accounts payable and accrued liabilities	(101,410)	(154,838)
Deferred revenue	-	(150,295)
Cash provided by operating activities	826,155	1,209,261
Financing Activities		
(Repayment to) Investment Saskatchewan Inc.	(1,375,000)	(300,000)
Principal payments on long-term debt	-	(5,705,460)
Cash used in financing activities	(1,375,000)	(6,005,460)
Investing Activities		
Purchase of property, plant and equipment	-	(12,430)
Sale of property, plant and equipment	525,000	4,952,825
Cash provided by investing activities	525,000	4,940,395
Net (decrease) increase in cash	(23,845)	144,196
Cash (bank indebtedness), beginning of year	96,406	(47,790)
Cash, end of year	$ 72,561	$ 96,406

(See accompanying notes)

SASKATCHEWAN VALLEY POTATO CORPORATION

Notes to Financial Statements

Year Ended December 31, 2003

1. Nature of business and basis of presentation

Saskatchewan Valley Potato Corporation ("SVPC") was incorporated on May 11, 2000 under the *Business Corporations Act of Saskatchewan* and commenced active operations on June 21, 2000. SVPC is a wholly-owned subsidiary of Investment Saskatchewan Inc. (formerly CIC Industrial Interests Inc.), a Provincial Crown corporation. SVPC is not subject to Federal or provincial income taxes by virtue of this ownership. SVPC's accounts are included in the consolidated financial statements of Investment Saskatchewan Inc.

SVPC is primarily a seed potato storage company in the Lake Diefenbaker potato area.

During the year SVPC completed a strategic exit from the seed potato industry. SVPC, under direction and support from its shareholder, will continue to operate its remaining potato industry assets until such time as a sale of SVPC's remaining assets can be consummated.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Supplies inventory are valued at lower of cost and net realizable value.

(c) Property, plant and equipment

Property, plant and equipment are recorded at the lower of cost and net recoverable amount. Amortization is provided using the straight-line method and the following annual rates:

Asset	Rate
Storage sheds	40 years
Handling equipment	15 years
Dedicated equipment	15 years
Transport equipment	15 years
Field equipment	5 – 10 years
Plant and office equipment	2 – 5 years

2. Significant accounting policies (continued)

SVPC reviews and evaluates its property, plant and equipment for impairment when events or changes in economic and other circumstances indicate that the carrying value of such assets may not be recoverable. The net recoverable amount of property, plant and equipment is calculated by estimating its undiscounted future net cash flows together with its residual value. Future net cash flows are developed using assumptions that reflect SVPC's planned course of action for the asset given SVPC's best estimate of the most probable set of economic conditions. Inherent in these assumptions are significant risks and uncertainties. It is possible that changes in future economic conditions and the resulting impact on some or all of these assumptions may require a significant reduction in the carrying value of these assets.

(d) Revenue recognition

Seed potato sales are recognized when potatoes are shipped. Storage, handling and agronomic services revenue is recognized as services are provided.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and disclosed amounts for contingent liabilities.

3. Accounts Receivable

	2003	2002
Accounts receivable	$ 629,827	$ 1,103,358
Notes receivable	700,000	-
GST receivable	-	182
Allowance - accounts receivable	(126,442)	(549,073)
	$ 1,203,385	$ 554,467

SASKATCHEWAN VALLEY POTATO CORPORATION

Notes to Financial Statements

Year ended December 31, 2003

4. Inventories

	2003	2002
Seed produced	$ -	$ 666,954
Seed purchased	-	117,379
Equipment parts	-	12,889
Supplies	4,721	11,596
	$ 4,721	$ 808,818

5. Mortgages Receivable

	2003	2002
Mortgage receivable - Agristar Produce (Sask) Ltd. (a)	$ 750,000	$ 750,000
Mortgage receivable - Island Holdings (b)	450,000	-
Less: Allowance	(750,000)	(750,000)
	$ 450,000	$ -

a) Mortgage Receivable - Agristar Produce (Sask) Ltd.

SVPC holds a $750 thousand non-interest bearing mortgage from Agristar Produce (Sask) Ltd. that matures February 1, 2007. Due to the uncertainty of the collectability from the purchaser, the mortgage has been fully allowed for.

b) Mortgage Receivable - Island Holdings Ltd.

SVPC holds a $450 thousand mortgage from Island Holdings Ltd. that matures December 29, 2005. The mortgage earns 6% annually, with interest payments paid semi-annually.

SASKATCHEWAN VALLEY POTATO CORPORATION

Notes to Financial Statements

Year ended December 31, 2003

6. Property, Plant and Equipment

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Storage sheds	$ 5,967,214	$ 5,894,131	$ 73,083	$ 75,452
Handling equipment	-	-	-	476,659
Dedicated equipment	-	-	-	173,460
Transport equipment	-	-	-	110,322
Field equipment	14,869	14,384	485	287,936
Plant and office equipment	46,732	40,800	5,932	7,282
	$ 6,028,815	$ 5,949,315	$ 79,500	$ 1,131,111

7. Advance from Investment Saskatchewan Inc.

SVPC entered into a credit facility with its shareholder, Investment Saskatchewan Inc., whereby SVPC has access to an operating line of credit of $3,000,000 of which $1,166,641 has been drawn at December 31, 2003 (December 31, 2002 - $2,541,641). The advance is payable on demand and is non-interest bearing.

8. Share capital

	2003	2002
Authorized:		
Unlimited number of Class A voting common Shares		
Issued:		
100 Class A shares	$ 16,590,499	$ 16,590,499

9. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SVPC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions with related parties, which are not separately disclosed elsewhere in the financial statements, are as follows:

	2003	2002
Accounts payable	$ 14,512	$ 20,657
Cost of sales	121,024	262,108
Administration	15,309	19,233

In addition, SVPC pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Crown Investments Corporation of Saskatchewan provides management services to SVPC without charge.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

10. Financial instruments

a) Fair values

The fair value of cash, accounts receivable, notes receivable, advance from Investment Saskatchewan Inc. and accounts payable and accrued liabilities approximates the carrying amount due to the short period to maturity.

b) Credit risk

SVPC is exposed to credit risk from the potential default of customers. SVPC mitigates this risk through offset provisions contained in storage and handling services agreements and sales contracts.

11. Contingencies

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2003 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's financial position or results of operations.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to current year presentation.